



June 10, 2011

Via Fax: 602-605-2490

Via E-Mail: [Post2017BCP@wapa.gov](mailto:Post2017BCP@wapa.gov)

Mr. Darrick Moe, Regional Manager  
Desert Southwest Region  
Western Area Power Administration  
P.O Box 6457  
Phoenix, Arizona 85005-6457

Re: Western BCP Post 2017 Remarketing Efforts, the Program and  
Conformed General Consolidated Power Marketing Criteria/  
Regulations for Boulder City Area Projects

Dear Mr. Moe:

The Grand Canyon State Electric Cooperative Association (GCSECA) is a regional trade association organized under Arizona law whose members include rural electric distribution cooperatives, generation and transmission cooperatives and several public power utilities in Arizona, California, Utah and New Mexico. I am writing particularly on behalf of the Arizona rural electric distribution and generation cooperatives that are members of GCSECA and are recognized as entities entitled to preference in the marketing of federal power under pre-1930 statutes and subsequent statutes concerning the marketing of Federal Power and the applicability of preference laws to said effort. These entities are: Mohave Electric Cooperative, Bullhead City, AZ; Trico Electric Cooperative, Marana, AZ; Arizona Electric Power Cooperative, Benson, AZ; Sulphur Springs Valley Electric Cooperative, Willcox, AZ; Duncan Valley Electric Cooperative, Duncan, AZ; Graham County Electric Cooperative, Pima, AZ; and Navopache Electric Cooperative, Lakeside, AZ.

We believe electric cooperatives in Arizona are, or should be, entitled under federal law to an allocation of power energy from the Boulder Canyon Project Hoover Plant ("BCP") in the post-2017 time period. We write to you on behalf of these prospective applicants for BCP/Hoover power asking you to support the Program PMI application to the BCP.

We support the marketing of 2044 MW of contingent capacity with an associated 4,116,000 MWh of annual firm energy from the BCP.

We support the extension of a substantial percentage of the existing contractors' contingent capacity allocations which today total 1951 MW and the proposed marketable firm energy to the existing contractors based proportionally upon their existing allocations of marketed annual firm energy; and we support the creation of a single one-time resource pool of seven to eight percent (7%-8%), consisting of contingent capacity with associated megawatt hours of annual firm energy - similar to the pool created in the marketing of other federal resources. We firmly believe that the 5 % resource pool is inadequate to meet the needs of the many public power utilities that have been denied access to BCP and Hoover for what will soon be 80 years before the remarketing takes effect.

We support electric service contracts resulting from this effort with a term of not less than twenty-five (25) years and not more than thirty (30) years commencing on October 1, 2017. Changing times and circumstances, changing demographics, changing economic conditions and changing utility dynamics argue against any further timeframe for extension of contracts. It is not unreasonable in our opinion to request and require that contractors begin fifteen (15) years after the commencement of the new contracts to work with Western in the creation of the next allocation to be marketed.

We believe that, despite pending legislation, it is important for Western to immediately begin the federal marketing process. We are supportive of and encourage Western to fulfill its statutory obligation to market the Hoover power pursuant to Section 5 of the Project Act in conjunction with Section 302 of the Department of Energy Organization Act of 1977.

We agree there is legal authority for Western to apply the Power Marketing Initiative in a manner similar to the application that has occurred in other Federal power projects since its implementation in 1995. We believe this is an appropriate means of balancing existing contractor resource stability while also encouraging the widespread public use of the Federal generation. We believe that the Department of Energy Organization Act of 1977 and Section 5 of the Project Act authorized Western to proceed in the public interest, including the creation of a seven to eight percent (7%-8%) resource-pool and application of the Power Marketing Initiative. We believe application of the Power Marketing Initiative provides for a balancing of the needs of the existing contractors with the needs of those of prospective contractors, which we believe is substantial.

In our opinion, holders today of Hoover contracts should be entitled to a type of renewal but on terms and conditions that are authorized or required under now existing laws and regulations all of which provide Western express authority to apply its current regulations to the marketing of Hoover. Our electric cooperative member utilities believe that Section 5(c) of the Project Act specifically grants the Secretary broad discretion to allocate power in accordance with the public interest and this authority provides for the necessary administrative flexibility to reserve capacity energy for the creation of a resource pool.

We do not believe that existing contractors, by virtue of their existing contracts, have purchased an equity interest in the federal resource created by and on behalf of all of the public of the United States of America. The Hoover and Boulder Canyon Project resource is a national and federal resource. This resource has always been marketed as a "contingent capacity" resource. We believe that a remainder of thirty megawatts (30 MW) should be used for project integration and reliability purposes and support the Western plan.

Our electric cooperative members support the Western proposal in general as limited by our comments.

Our electric cooperative members support the analysis of “excess energy” and the impact of “marketable energy” on the amount of “excess energy” that is achieved and supports the Western proposal that the best course of action is to propose marketable energy, excess energy provisions, and a resource pool percentage in a coordinated fashion with all impacting variables simultaneously considered.

Our electric cooperative members support the commitment of Western to working with contractors and related entities to assure use of power marketed, including the associated ancillary services, and that services are able to be utilized in a suitable fashion. We support a public process preserving consideration of the capability to dynamically receive the Hoover resource and the associated ancillary services which, in our opinion, is not specifically a provision of the act or remarketing of Hoover and we support Western’s intent to continue to provide capabilities to existing and new contractors into the next contract term.

With respect to allocations of excess energy to the Arizona Power Authority, we believe that an allocation to the Arizona Power Authority should be contingent upon its compliance with existing Federal Preference Law without the current 1939 exemption of Hoover Power from existing law. We support marketing a substantial portion of the resource to the existing contractors in accordance with provisions of Federal law not requiring the application of Federal preference. As to the remainder of the marketable firm and excess power and energy, we believe Western should market the remainder in accordance with existing Federal Preference Law without the 1939 Hoover exemption.

This would allow the Arizona Power Authority to continue to market its allocation, as limited above, in accordance with its own discriminatory laws which do not allow equal preference participation in the BCP resource by cooperatives, electric departments of cities and towns and Indian electric utility authorities.

Sincerely,

GRAND CANYON STATE ELECTRIC COOPERATIVE ASSOCIATION



Tom Jones, Chief Executive Officer

cc: Timothy Meeks, Administrator, Western Area Power Administration  
Mike Simonton, Public Utilities Specialist, DSW  
Arizona Congressional Delegation